

106TH CONGRESS  
1ST SESSION

# H. R. 726

To amend the Internal Revenue Code of 1986 to provide that the furnishing of recreational fitness services by tax-exempt hospitals shall be treated as an unrelated trade or business and that tax-exempt bonds may not be used to provide facilities for such services.

---

## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 11, 1999

Mr. KLECZKA (for himself, Mr. LEWIS of Georgia, and Mr. SENSENBRENNER) introduced the following bill; which was referred to the Committee on Ways and Means

---

## A BILL

To amend the Internal Revenue Code of 1986 to provide that the furnishing of recreational fitness services by tax-exempt hospitals shall be treated as an unrelated trade or business and that tax-exempt bonds may not be used to provide facilities for such services.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Taxpayer Bond Fair-  
5       ness Act of 1999”.

1 **SEC. 2. TREATMENT OF THE FURNISHING OF REC-**  
 2 **REATIONAL FITNESS SERVICES.**

3 (a) UNRELATED TRADE OR BUSINESS TREAT-  
 4 MENT.—

5 (1) IN GENERAL.—Section 513 of the Internal  
 6 Revenue Code of 1986 (defining unrelated trade or  
 7 business) is amended by adding at the end the fol-  
 8 lowing new subsection:

9 “(i) RECREATIONAL FITNESS SERVICES.—In the  
 10 case of a hospital described in section 170(b)(1)(A)(iii),  
 11 the term ‘unrelated trade or business’ includes any trade  
 12 or business which consists of providing physical fitness  
 13 services (including the use of facilities) to any individual  
 14 other than—

15 “(1) an employee of such hospital, or

16 “(2) as part of a course of rehabilitation or  
 17 therapy prescribed by a licensed physician or phys-  
 18 ical therapist to treat a physical injury or dysfunc-  
 19 tion.”

20 (2) EFFECTIVE DATE.—The amendment made  
 21 by paragraph (1) shall apply to services provided  
 22 after June 30, 1996, in taxable years ending after  
 23 such date.

24 (b) DENIAL OF TAX-EXEMPT BOND FINANCING.—

25 (1) IN GENERAL.—Section 145 of such Code  
 26 (defining qualified 501(c)(3) bond) is amended by

1 redesignating subsection (e) as subsection (f) and by  
 2 inserting after subsection (d) the following new sub-  
 3 section:

4 “(e) QUALIFIED 501(c) BONDS NOT TO INCLUDE  
 5 BONDS FINANCING RECREATIONAL FITNESS FACILI-  
 6 TIES.—

7 “(1) IN GENERAL.—For purposes of this part,  
 8 the term ‘qualified 501(c)(3) bond’ shall not include  
 9 any bond issued as part of an issue if any portion  
 10 of the net proceeds of the issue are to be used di-  
 11 rectly or indirectly to provide any recreational fit-  
 12 ness facility.

13 “(2) RECREATIONAL FITNESS FACILITY.—For  
 14 purposes of paragraph (1), the term ‘recreational fit-  
 15 ness facility’ means any facility owned or operated  
 16 by a hospital described in section 170(b)(1)(A)(iii) if  
 17 any of the income from the use of the facility, or  
 18 from services provided at the facility, would be in-  
 19 come of such hospital from an unrelated trade or  
 20 business (as defined in section 513).”

21 (2) EFFECTIVE DATE.—

22 (A) IN GENERAL.—The amendment made  
 23 by paragraph (1) shall apply to obligations  
 24 issued after July 12, 1996.

1           (B) EXCEPTION.—The amendment made  
2           by paragraph (1) shall not apply to obligations  
3           issued to refund (or issued as part of a series  
4           of obligations issued to refund) an obligation  
5           issued on or before such date if the require-  
6           ments of section 144(a)(12)(A)(i) of the Inter-  
7           nal Revenue Code of 1986 are met.

○